

# A Business Case for Social Responsibility in Mining Operations



Minera Escondida open pit mine, Chile. (BHP Billiton Photo)

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*Marty Logan*

The mining firm that wins the auction to develop the Las Bambas copper deposit in Peru (slated to be chosen on 23 July) had “better be prepared to show the families [living there], the community, the neighbouring communities, and the country that the net impact of that mine’s life — from exploration to post-closure — is positive for them, for their environment, and for their economy,” warned Paul A. Warner, director of Community Relations and Institutional Affairs for giant Australian mining company [BHP Billiton](#).

“Mining companies have often thought in the past that you could gain an advantage by negotiating with weak communities,” Warner told an international forum [Bringing the Best of the Private Sector to Development](#) supported by the International Development Research Centre (IDRC) and the Canadian International Development Agency (CIDA). He adds that they now recognize that “it is in our best interests to negotiate with strong communities.”

“There is a real business case [to operate responsibly and sustainably] because projects have been stopped ... because [companies] were not able to obtain a ‘social licence’. Miners don’t believe they can do anything they want any more,” Warner stated at the Forum, held 7 June, as part of the annual [Conference of Montréal: The International Economic Forum of the Americas](#).

## **Mining and conflict**

The international community has long recognized that large-scale mining can be a major income earner for developing nations. However, it has been far from easy to guarantee that developing countries received the revenues due them, free from costly environmental or social degradation, and to ensure that the money was used to improve the lives of the “poorest of the poor” within those nations.

In Peru, where mining has gone from making up 12% of the economy in 1990 to 33% in 2000, conflicts over mining have not been uncommon, according to José de Echave Cáceres, director of the [Mines and Communities Program](#) at CooperAcción, a non-governmental organization that promotes a balance between natural resources exploitation and the need for sustainable development at the national and community level. He said that past operations tended to include ‘surprises’ that affected all players, including companies, governments, and communities, and that this would lead to conflict.

But then a new, more positive phase of operations began, he told the Forum. Companies established voluntary codes of responsibility and reached out to the people with a stake in mining operations to set up workshops and roundtables for discussion and dialogue.

Still, there has been a “notable difference between what was said in the codes and what was done,” stated de Echave, blaming the gap on “a lack of systems, of control, and of independent verification.”

“These voluntary mechanisms are not an alternative to public regulations,” he concluded, while urging greater cooperation between communities and companies, “to see conflicts as opportunities.”

## **Social Responsibility**

Partnership was a key word at the IDRC Forum, inspired by the recent United Nations (UN) report, *Unleashing Entrepreneurship: Making Business Work for the Poor*. [See related [sidebar](#)] Mining was used as a case study to gauge the report's call that the private sector play a larger role in development.

Ghana has taken numerous steps to promote both local and international investment in the country's essential mining industry, which accounted for 39% of foreign exchange earnings in 2003, said Minister of Mines, Cecilia Bannerman.

The government of Ghana spent money to improve roads and other infrastructure, trained locals for technical and professional jobs, and this year will pass a new set of mining regulations. “The whole point of attracting investors is to make sure [they] make a big impact with the economy and lives of the people,” said Bannerman.

At the same time, her ministry has established a new college of jewelry and a diamond-cutting factory; set up alternative livelihood programs that train community members in others types of work they can do once mines close; and started to reclaim areas whose environment was degraded by unregulated small-scale mining.

Such projects “demonstrate to the neighbourhoods and to the companies that these things can be done,” said Bannerman. “It appears that there is a realization among most companies that their future is tied to that of local communities,” she added.

But those firms that do not play by the new rules of social responsibility are being watched, not only by local stakeholders but also by the global community, said Bannerman. For instance, when news that a mining company operating in Ghana was not fulfilling its social obligations reached a Dutch financial institution that had invested in the company, the institution responded by sending its own representative to Ghana to investigate allegations.

It is important to have as many sources of pressure as possible on companies “to do the right thing” according to Bannerman.

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## Sidebar

### Unleashing Entrepreneurship

Emphasis on a “multi-stakeholder” approach was a theme voiced by all speakers at the IDRC-sponsored Forum, whose starting point was a recent [UN report](#) on harnessing the private sector for development co-authored by Canadian Prime Minister Paul Martin and former Mexican President Ernesto Zedillo.

The report *Unleashing Entrepreneurship: Making Business Work for the Poor* argued that the Millennium Development Goals — which include halving the number of the world's poorest people — will not be met by the scheduled 2015 unless the private sector is enlisted in the task, Nissim Ezekiel, executive director of the UN Development Programme's Commission on the Private Sector and Development, told the audience. “For far too long the debate on the private sector has been framed in a very negative way”: public versus private, instead of stressing how stakeholders can work together, he said.

That UN report created momentum at the global level for a process that CIDA had already formalized with its Private Sector Development Policy in July 2003, said CIDA Senior Vice-President Rick Cameron. The policy stresses that private sector activities must meet three criteria:

- Are they pro-poor? Do they reduce inequity?
- Do they make good business sense?
- Do they embrace good governance? Are they sustainable?